

## **Milford Manufacturer Overcomes Humble Beginnings to Contribute to the War on Terror**

by Jayne Armstrong

Entrepreneurial success doesn't happen overnight. More often it is the result of lessons learned from early setbacks and a lot of on the job training.

No one knows this better than Eli and Sheri Valenzuela, the owners of Milford-based First State Manufacturing. After years of hard work and perseverance, the small business owners have overcome humble beginnings to master the art of federal contracting.

In only six years of operation, the Valenzuela's secured more than \$11 million in federal contracts and expanded the business from six to 24 employees. Thanks to quality products and extensive marketing, the company is established in a niche military contracting market. Most of the contracts involve U.S. Air Force bases and National Guard units that have purchased its seat cushions, floor mats and other upholstery products for a variety of military aircraft.

The Valenzuelas hit the big time with First State's recent \$5 million contract through Paxtuxent River Naval Base to manufacture vinyl plugs and covers for the U.S Air Force's V22 Osprey aircraft. Through this contract, First State is contributing to the safety of U.S. military personnel serving in the deserts of Iraq and Afghanistan. The covers prevent insects, sand and debris from getting into the aircraft and affecting their operation. A major advantage to the product's design is the ease of application, critical to troops serving in a war zone.

"It's an honor for First State Manufacturing to play a role in the War on Terror," said Sheri Valenzuela. "We feel we are doing our part in the war effort to support our troops."

First State Manufacturing is certified in the U.S. Small Business Administration's (SBA) 8(a) Business Development Program. The program is an essential instrument for helping socially and economically disadvantaged entrepreneurs gain access to the economic mainstream of American society. SBA has helped thousands of aspiring entrepreneurs over the years to gain a foothold in government contracting. Participation is divided into two phases over nine years: a four-year developmental stage and a five-year transition stage.

Participants can receive sole-source contracts, up to a ceiling of \$3 million for goods and services and \$5 million for manufacturing. While SBA helps 8(a) firms build their competitive and institutional know-how, the agency also encourages them to participate in competitive acquisitions.

To qualify for program certification, a small business must be owned and controlled by a socially and economically disadvantaged person. Under the Small Business Act, certain presumed groups include African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans, and Subcontinent Asian Americans. New rules make it easier for non-minority firms to participate by proving their social disadvantage.

The business owners turned to the SBA to finance the company's growth at different stages. A \$20,000 SBA Low Doc loan financed through Felton Bank provided critical financing in the early stages, while a second \$300,000 SBA CAPLines loan through the former Star BIDCO (now Preferred Capital) supported cash flow operations throughout the lifecycle of several contracts. A SBA disaster loan of \$65,800 also helped the business recover from the impact of the September 11 terrorist attacks.

The SBA provides loan guaranties for small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders who provide loans guaranteed by the SBA.

The SBA also played a role in introducing First State to the largest Department of Defense prime contractor in the world, Lockheed Martin. The prime contractor discovered First State through SBA's PRONet contracting database, which profiles small businesses' capabilities. Today, the company works with three divisions of Lockheed Martin around the country and was recently honored as the prime contractor's Small Business of the Year.

While the federal contracting arena has proved lucrative for the Valenzuelas, it only represents approximately 80 percent of the business' sales. Their commercial customers include a wide range of local and franchise restaurants, casinos, hospitals, and amusement parks. First State's upholstery products can be found in the Delaware River and Bay Authority's ferries, Dover Downs Hotel, Alfred I. duPont Hospital for Children, and Chili's restaurants.



But success did not come easy for this small manufacturer. It all started with a correspondence course in upholstery repair Eli took while stationed with the U.S. Army in Germany. After retiring from the military in 1981, he got a job upholstering helicopters at the Army Depot in Corpus Christi. He eventually met Sheri, who shared his dream of business ownership.

After marrying and relocating to Delaware, Eli found a job upholstering aircraft at Dover Air Force Base while Sheri worked at the Delaware State News. By night they fine tuned their business plan. Through their church they discovered their right hand person in Ashley Wolfe, vice president of operations, who added a wide range of sales expertise and production experience.

With the management team in place, First State Manufacturing started operations in the Valenzuela's garage with Eli's used sewing machine, "Old Betsy." Although the team had production experience, their sales and government contracting expertise was minimal in the early stages. Like most entrepreneurs, they relied on their passion, hard work and on the job training to get through those early, lean years.

They realized they weren't alone in their quest for entrepreneurial success. The company took advantage of the programs offered by SBA's resource partners, the Service Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDC), including workshops and free counseling. The SBDC's Procurement Technical Assistance Program also played a major role in helping First State navigate the federal contracting arena.

Add the Delaware Economic Development Office and the Delaware Manufacturing Extension Partnership to secure workforce development training funding and quality manufacturing certification, and you have a true federal-state "resource partnership."

They learned by doing – often the hard way. But their successful government contracting experience led Sheri Valenzuela to start a second business, GrowUSA, to counsel and provide information products to small businesses on how to succeed in the federal marketplace. In sharing her personal expertise, she is opening the door for more Delaware small business success stories.

From the humble beginnings of a one-car garage, First State Manufacturing and GrowUSA have mastered the school of hard knocks to achieve the American Dream.

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